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Corn in Brazil.

February 24, 1975

Selling to the USSR

The Rich Mideast Food Market

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Selling to the USSR: Exporters Need Know-How and Patience

By WILLIAM P. HUTH
Former Assistant U.S. Agricultural Attaché[1]
Moscow

AMERICAN exporters of specialized farm products ranging from hops to cowhides have found markets in the Soviet Union, but only after threading a maze of trade practices usually unfamiliar to merchants in the West.

Selling U.S. food products and commodities to the Union of Soviet Socialist Republics (USSR) can involve a novel array of foreign trade practices and unique business experiences for the new-to-market exporter of the increasing variety of U.S. products going to Soviet consumers.

Even veteran U.S. exporters find that dealing with a monopsonistic (single) buyer in a country of more than 250 million consumers requires specialized import-export knowledge unparalleled in countries that fill their import requirements through commercial trade channels involving multiple buyers.

For the new exporter to the USSR, merely locating the appropriate buying agency for a particular food product in the intricacy of Soviet bureaucracy can be a time-consuming, costly ordeal.

After contact has been established, prices quoted, and delivery dates offered, often comes the noncommital, vaguely unsatisfying, "Thank you. Don't call us. We'll call you."

The waiting period may last for weeks, months, or even years.

The U.S. exporter in a position to invest time, dollars and patience in a prospective sale of food products to the USSR may find the experience financially rewarding, provided it is clearly understood that sales promotion seeds sown one season may not bear fruit until several seasons have passed.

Just when a particular sales effort is all but written off by the exporter, out of the blue comes a firm order from Moscow: "We'll take $100,000 worth (or other value) of your product."

Those U.S. products now going to the Soviet Union—aside from grain, which accounted for about 96 percent of such shipments in 1974—are diversified, and the range of items should broaden in coming years as Soviet trade expands to meet growing consumer demand and as U.S.-Soviet commercial channels become better traveled.

The approximately $20 million worth of nongrain U.S. farm products that went to the USSR in fiscal 1974 included soybeans, valued at $5.5 million; almonds and other nuts, $3.8 million; cattle hides, $3.2 million; linseed oil, $2.6 million; hops, $2.1 million; sheepskins, $1.1 million; lemons, $661,000; grain sorghum seed, $518,000; hop extract, $472,000; dextrose, $208,000; fruit and vegetable flours and flakes, $24,000; canned sausage, $21,000; and canned baby food, $6,000.

All economic activity in the Soviet Union is planned and carried out by the State. There is no legal private enterprise except the selling of produce in farmers' markets—and this activity is closely controlled.

A U.S. business executive wishing to sell products or services to the USSR finds a situation markedly different from that in countries having free-market economies.

These marketing differences range from the obvious fact that there simply are no private firms to the more subtle shadings of meaning. For example, a reference by a Soviet official to a "client" does not indicate a person but rather a Government agency.

But even obvious differences often imply consequences that are not necessarily readily apparent. Thus, to an American business representative, the lack of private firms in the Soviet Union also means that all dealings must be conducted with one or more trading organizations that are monopolistic sellers and monopsonistic buyers.

Also, the absence of private enterprise means a lack of competition among sellers in USSR domestic markets.

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Soviet importers, as a result of these conditions, occupy positions of strength in dealing with foreign exporters. A Soviet official, buying for the entire USSR, has no fear that a rival company will snatch away an especially desirable imported product.

And, because Soviet agencies often buy in large quantities, they are in a position to drive hard bargains—especially as regards prices when dealing with Western business representatives. In these cases, the desire to make a profit is reinforced by the importance of minimizing the expenditure of scarce hard currency.

On the other hand, the Soviet importer has no need, once the order is in hand, to "sell" the product to the domestic purchaser. Among other things, this arrangement greatly affects sales techniques. For example, the practice of promising product advertising as a sales tool is effectively eliminated.

Also, there is no opportunity to exert any leverage by attempting to exploit the interest of a potential rival company in the domestic market. There simply are no rival companies to deal with.

The USSR's 250 million consumers are potential customers for a variety of foods.

THE USSR leadership exercises control over the Soviet Union's export-import trade through a multiplicity of economic planning and regulatory organizations under the direction of the USSR Council of Ministers. The Council determines overall national economic policy and approves economic development plans.

Within guidelines set by the Council, annual, 5-year, and longer term economic development plans are prepared by the State Planning Committee (Gosplan). For example, Gosplan currently is finalizing the 1975 economic development plan, the tenth 5-year plan (1976-1981), and a longer range 15-year plan (1975-1990). All of these plans include foreign trade components as integral parts.

Planned imports and exports are spelled out in considerable detail in terms of types and quantities of goods required in each of the plans. If hard currency is required for certain imports, it is allocated. However, every effort is made to minimize outlay of hard currency by obtaining goods from other Communist countries and/or by barter arrangements with supplier countries.

The Ministry of Foreign Trade has responsibility for planning and executing the foreign trade of the USSR. This area of responsibility includes developing commercial relations with foreign countries, supervising the work of Soviet trade representatives overseas, and fulfilling export and import commitments under the various economic plans drawn up by Gosplan.

Also, the Ministry exercises overall control and supervision over about 60 Federal foreign trade organizations (FTO's). These FTO's are independent economic organizations with their own operating capital. Under Soviet law they are legal persons, and thus are capable of entering into trade contracts with foreign firms and governments.

FTO's are specialized trading organizations, each with exclusive control over and responsibility for a specified range of goods. Some FTO's handle only exports or only imports. Many handle both.

These organizations are of critical importance to the Western business executive seeking to export to the USSR. They are the initial contact with the Soviet Government for exporters in other countries, and often the only contact through the entire course of trade negotiations.

Among other activities, FTO's distribute product or commodity literature, samples, or other sales materials to potential end-user Government agencies. Also, they are responsible for assessing world market situations in terms of relative qualities, availabilities, and prices for the range of products they handle.

When an FTO is requested by a ministry to purchase a particular item on its behalf, FTO staff specialists evaluate competing foreign products in terms of the client's needs, and solicit bids from foreign producers judged to be suitable suppliers.

There are two principal ways in which U.S. exporters can attempt to sell to the USSR. First, the seller must determine the appropriate FTO for the product, and must then establish communication with the FTO. Next, an attempt may be made to communicate with the potential end-user of the product—the Government agency that will either distribute or consume the product.

In making the initial contact with the appropriate FTO, an obvious first step is to write a letter to the FTO Chairman. Writing in Russian is, of course, an appreciated courtesy, and allows the correspondence to reach the proper subsection of the FTO more rapidly than if it had to pass through the hands of language translators.

However, except when time is an urgent consideration, correspondence in English is satisfactory. Letters, of course, should be clear, concise, and to the point. The exporter should keep in mind that each FTO has its staff of specialists who can and do pass judgments on the products offered for sale. Because of this consideration, it is important for the exporter to include technical and economic data.

Soviet agencies are very interested in obtaining specific information on factors such as food product nutrition and keeping characteristics, seed yield performance records, quality grades, lot sizes, delivery conditions, and—of course—prices.

Not only is written correspondence always appropriate, but it also insures the exporter that the Soviets are aware

of the products or services of the supplier—especially if a personal visit to the USSR should subsequently be in order.

There is no doubt that personal contacts are important and can often make the difference between an immediate sale, a sale at some future date, or no sale at all.

A Swedish Government publication on doing business with the Soviet Government puts the point even more strongly: "'It is important when doing business with the Soviets not to rely too much on correspondence. Personal business visits to Moscow are of the greatest importance, and, as a rule, it is hardly possible to achieve anything without them."

Sweden has long had important trade ties with the USSR.

For the U.S. exporter, travel to the USSR is expensive, and—at least for consumer food products—sales still are the exception rather than the rule. Consequently, a trip to the USSR should not be contemplated unless the exporter believes it can be justified on some combination of the following conditions:

- It appears to be necessary or desirable for company personnel to become familiar with Soviet business customs and some key Soviet officials.
- A long-term campaign to enter the Soviet market is contemplated, and the trip is regarded merely as the initial effort.
- The volume of any potential sale, by itself, justifies the trip.

If a personal visit is decided upon, the likelihood of success is greatly increased if the exporter comes prepared to discuss a possible sale in detailed and concrete terms—and with an order book in hand. Product samples, where feasible, are useful.

And—to repeat, with emphasis—FTO purchasing officials are monopsonistic buyers for the entire Soviet Union, buying in very large quantities and expecting the sellers to reciprocate with attractive price offers.

Sellers who can come up with suggestions for helping the Soviets sell some products to the West, or some other means of easing the drain on hard currency, can expect sales possibilities to rise dramatically.

Although exporters are permitted to contact the potential end-users (Government agencies) of the products offered, only an FTO can actually contract to import or export the product or commodity. FTO officials invariably and emphatically insist to Western business officials that they do not initiate decisions to import, but only enter the market when an order is received from a client.

From this relationship stems the desirability for the representative of the U.S. firm to meet with responsible officials of potential end-user Government agencies, such as the Ministry of Agriculture or the Ministry of the Food Industry.

The end-user organization's scope for purchasing goods or services from the West is basically determined by the stipulations in the current plan for types and quantities of goods or services and associated allocations of foreign currency. But within these limits, the end-user can suggest to the relevant FTO specific product characteristics desired and potential suppliers with products needed to meet these requirements.

The point is to convince the end-users that the product being offered meets Soviet needs better than any other comparable product.

As in any large organizational structure, there probably is considerable informal interaction between key officials

Soviet FTO's Buy Imported Farm Products

These FTO's are of potential importance to U.S. exporters of agricultural products:

Exportkhleb exports and imports wheat, rye, barley, oats, maize, rice, pulses, flour, groats, oilseeds, oilcake and meal, other grain and fodder products, and seeds and seedlings.

Soyuzplodoimport exports and imports fresh, dried, and quickfrozen fruits, berries, and vegetables; canned fruits and vegetables; nuts, fruit and berry pulps and juices; wine materials; wines and liquors; brandy; mineral water; soft drinks; tea; coffee; cocoa beans; flavorings and spices; starch; confectionery goods; food concentrates; baby foods; and other foodstuffs.

Prodintorg exports and imports foodstuffs of animal origin, as well as refined and raw sugar, vegetable oils, soft and pressed cavier, tinned fish and crabmeat, quickfrozen fish, trepang, squid, frozen shark, butter, boiled butter, eggs and egg products, cheese, ice cream, sunflowerseed oil, cotton oil, olive oil, whale oil, meat and meat products, meat subproducts, tinned meat and milk, enzyme and fermented raw materials, wild fowl and poultry, thoroughbred draft and meat horses, pedigree cattle, and animals for zoos.

Skotoimport imports slaughter meat cattle, sheep, goats, swine, meat horses, and meat of domestic and wild animals.

Exportlyon exports cotton; linters; flax; flax tow; long hemp and hemp tow; wool of sheep, goats, and camels; fabrics of cotton, flax, wool, and silk; cotton thread, natural silk; waste from cotton, flax, and hemp; and waste from production of chemical fibers.

The agency also imports cotton, sheep wool, wool yarn, viscose and acetate yarn, sisal, manila hemp, artificial and synthetic fiber, fiber and fabrics, jute and jute goods, and cord.

Soyuzpushnina exports and imports various furs; raw, dyed, and dressed karakul; bristles; animal hair; brushes; hides and skins; natural and artificial leather; skin dressing waste; vegetable tanning extracts; feathers; casings; casein; bone glue; and bone oil.

Raznoexport exports and imports oriental-type leaf tobacco, cigarettes, cigar tobacco, and dark leaf tobacco.

Soyuzkoopvneshtorg conducts export and import trade with foreign cooperative societies and firms. Exports honey, cooking poppy seeds; cedar and hazel nuts; walnuts; fresh and dried vegetables and fruit; fruit compotes and jams; tomato paste; dried, salted, and pickled cucumbers; onions, garlic; dried bilberries; cowberries in their own juice; cranberries; cloudberries; melons; dried ashberries; pumpkin and flaxseed; fruit and berry pulp; potato starch; live crawfish and snails; wines; tea; medicinal raw materials; nonstandard skins and hides; horns; hooves. The agency also imports canned vegetables and fruits, and fresh apples.

Vneshposyltorg sells imported foodstuffs for freely convertible currency in small wholesale lots to foreign firms, embassies and legations, and to individual foreign nations. The agency operates beryezkas—special hard-currency food stores that stock foreign food items as well as Soviet produce. These stores serve a select clientele of foreigners with access to hard currency and a small number of Soviet citizens with access to special purchasing coupons. Beryezkas represent a small market, but are a potential point of entry into the general Soviet consumer market.

in end-user agencies and the FTO's. By contacting the end-user, the sales executive can, so to speak, double the exposure of his company and its products to the potential buyer. This task is made more difficult because detailed information on the needs of the end-user agencies and their product and foreign currency allocations is not available.

THE APPROACH must thus be based on the premise that the type of product being offered meets a demonstrated—or at least a probable—need on the part of the Soviet Government.

Paradoxically—despite the relatively complicated marketing effort required because of differences between the U.S. and USSR commercial systems—an extended business trip to Moscow is not normally necessary. Because all purchasing decisions in the Soviet Union are made by a relatively few Government agencies—all of them headquartered in Moscow—a visit of 3 days is usually adequate.

Arrangements for trips to Moscow can be made through local travel agencies acting as agents for Intourist, the official Soviet travel agency that handles all travel arrangements for visiting tourists and business representatives. Before making commitments for a trip to Moscow, however, it is advisable to weigh carefully the considerable costs in time and money that are involved, and to determine if a trip, rather than a letter, is justified.

Trade fairs can provide the exposure to potential Soviet end-users that U.S. exporters may find helpful. A number of trade fairs are held in Moscow each year. Information on fairs held in the Soviet Union may be had by writing Foreign Exhibits in the USSR, Sokolnicheski Zal, 1-A, Moscow 232, USSR.

To meet with any degree of success at a USSR fair or exhibition, it is essential for the company seeking a Soviet market to staff the exhibit with personnel having Russian language capability as well as those with technical capability. Also, the Russian language should be used in promotion materials such as brochures, posters, slides, and film presentations. Many of the decision-making and/or key technical advisory personnel of the primary audience—the end-user agencies—will not understand English.

Some of the key Soviet people in a U.S. market-development search may be decisionmakers in ministries at the Republic (State) level, and in these cases it is even less likely that an English language presentation will be adequate.

Soviet prices for space and services at exhibits and trade shows are at least as expensive as in the West. If the effort and expense of participating in a fair or exhibit are deemed to be worthwhile, it is important to eliminate any language barrier to getting the product message across.

The key Soviet organization to contact regarding trade fairs is the USSR Chamber of Commerce. In addition to offering such services as helping establish business contacts and providing basic economic information, the USSR Chamber makes the necessary arrangements for participation of foreign firms in international and solo exhibitions within the USSR.

Another organization that may be of assistance to Western business officials seeking Soviet export markets is **Vneshtorgreklama**. In addition to handling promotion of Soviet goods in other countries, **Vneshtorgreklama** fills orders by foreign firms for all types of media advertising and direct mail distribution of advertising materials permitted in the Soviet Union.

THE BASIC question confronting the Western exporter is this: Is it worth the cost and effort to try to break into the Soviet market? The chances of immediate success are small. For consumer food products, the chances for immediate sales are very slight—unless there happens to be an immediate matching Soviet need.

On the other hand, Soviet familiarity with a U.S. company and its products—especially if initial contacts are periodically reinforced—may result in substantial future sales.

The Soviet Union's 250 million population is increasing by more than 2 million persons annually. Not only is the size of the potential market enormous, but the population is, by developed Western country standards, on the threshold of consumerism—in the food economy as well as in other areas.

To achieve the transformation to a consumer-oriented economy in the shortest possible time, the Soviets are particularly interested in advanced technology —better seeds, feeds, and breeds, for example.

Interest in food products for direct consumption centers on such items as citrus fruit, where consumption levels are only a fraction of Western levels, and where domestic production possibilities are limited.

To try to enter this huge market—or not to try? That is the question—but there are no easy answers. Each U.S. exporting firm will necessarily have to arrive at its individual company judgment after careful and detailed examination of all pertinent factors in the huge but relatively untapped USSR market.

Harvesting grain in USSR's Kuban area. The Soviet Union also imports grain, plus a long list of consumer food products.

Soviet Farm Output in 1974 Falls Below 1973's Record

By FLETCHER POPE, JR.
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Economic Research Service

SOVIET FARM production last year, although second best in the nation's history, slipped off the uptrend of the past few years to fall some 3 to 4 percent below the alltime high level of 1973. Poor showings in crop production accounted for the decline, which was cushioned by continuing strength in the livestock sector.

According to recent Soviet press reports, the value of Soviet agricultural output slid to $132 billion[1] last year, compared with a record of $137 billion in 1973. Although disappointing, this still exceeded the previous second-best year, 1971, by 7 percent. Plans for 1975, however, call for the forward push to resume, with the value of output slated to exceed $140 billion—2 to 3 percent above even the 1973 record.

Soviet officials had good reasons to describe weather conditions in 1974 as difficult, at least in certain areas. Although farmers were buoyed by an early spring, weather in the European USSR turned cool and rainy, resulting in some delays in spring planting and some frost damage. Farm areas east of the Urals were hot and dry well into the summer, culminating in a severe drought over much of Northern Kazakhstan and Western Siberia. Finally, abnormally heavy rains caused extensive flooding in the Western Ukraine and Byelorussia during October and November.

This unfavorable weather caused 1974 crop production to fall about one-tenth below results achieved in 1973. Among major crops, only cotton exceeded 1973 output. Grains, sugarbeets, and vegetables all were down some 11 to 12 percent, while potatoes plunged 25 percent.

Gross production of grain in 1974 fell 27 million tons below the 1973 record to 195.6 million, but was almost 8 million tons above the previous second-best crop of 1970. Wheat accounted for almost all of the decline as harvested output slid 26 million tons to 83.8 million. The spring wheat crop, estimated at 39 million tons, was probably the smallest since 1965. Drought east of the Ural mountains reduced spring wheat yields, and area sown was the smallest since 1954, when the New Lands were first plowed up. Corn production in 1974 was reported at 12.1 million tons and rice at 1.9 million.

State purchases of grain from the 1974 crop totaled 73 million tons, 17 million less than 1973's purchases and about 11 million less than the quantity the State had planned to purchase. In view of the drought in spring wheat areas, the shortfall in grain purchases must have been largely in wheat.

Results from the technical crops, compared with 1973, were mixed indeed. Cotton output—about the only bright spot in the crop picture—rose sharply to 8.4 million tons (seed cotton) to exceed 1973's output by 9 percent. This increase was more than double the annual increases of the preceeding 3 years.

On the other hand, sugarbeet and sunflowerseed crops were both off the mark in 1974, with sugarbeets dropping back by a little over 10 million tons to 76.4 million—about the 1970-72 average. At the same time, refined sugar output in 1974 (including raw sugar imports refined domestically) was 9.4 million tons, just 88 percent of the 10.7 million produced in 1973.

Sunflowerseeds, the USSR's most important source of vegetable oil, fared better, but production at 6.76 million tons was still about 8 percent below the 1973 level. Even so, the crop was second largest on record, and helped to

[1] **Converted at the rate of 1 ruble= US$1.40. When traded in West European exchanges, however, the ruble is often discounted considerably.**

SOVIET FARMS LAG BEHIND OTHER SECTORS

The Soviet Union last year saw its farm output slip off the peak level of 1973, while its total national income and its industrial, transportation, and foreign trade sectors pushed ahead doggedly.

Gross income of collective farms in 1974 reportedly only held the $34-billion level of 1973. (1 ruble=U.S. $1.40. On West European exchanges ruble is often discounted considerably.) And in line with this income stagnation, farm labor productivity of state and collective farms dropped 1.7 percent below that of 1973. The lower farm income and negative rate of productivity are in sharp contrast to the highlighted strong gains in total agricultural capital investment —up 9 percent over 1973.

These data suggest that the high rate of capital investment in agriculture has neither replaced labor nor increased efficiency. Continued high investment without more positive results could pose questions about resource allocation and fixed prices for agricultural and food products.

On the consumer side, monthly wages in 1974 moved upward to $197 from $189 in 1973—a 4.3 percent increase. Collective farm wages also rose 5 percent but probably did not reach original planned levels.

Retail trade in Government and cooperative stores moved to the $273-billion level—6 percent higher than that for 1973, in comparable prices. Significant increases in retail sales were noted for meat, 7 percent; cheese, 7 percent; eggs, 11 percent; and animal fats, 5 percent. Lesser gains of 2 percent for potatoes, vegetables, and margarine were recorded, while sugar showed virtually no gain.

For 1975, there is the possibility of potato and vegetable scarcities developing—especially since most of the production comes from collective farmers' private plots. Free market prices are expected to rise. But, overall, Soviet agriculture keeps nudging to a higher plane of output.

—Based on dispatch from
ROGER E. NEETZ
U.S. Agricultural Attaché, Moscow

push Soviet vegetable oil production last year to 3.4 million tons, 800,000 tons or 28 percent over the year before.

The important Soviet potato crop proved a near-disaster last year, totaling 27.5 million tons less than the 1973 record of 108 million tons and only 3 percent larger than 1972's extremely poor outturn, when the Soviets were forced to import potatoes from Poland. Even so, the State was able to purchase 11.2 million tons of potatoes—about equal to the 1968-72 average. Vegetable output was also on the low side, as production dipped almost 3 million tons below 1973's output. Despite the downturn, however, the 23.1-million-ton vegetable crop was second highest on record.

The major bright spot in the Soviet farm scene last year was the good performance of the livestock sector, which continued to move ahead strongly. Abundant feed supplies from 1973's record crops sparked the gain, whereas meat output in 1973 was held in check by limited feed supplies from 1972's poor growing season.

Consequently, the Soviet Union began 1975 with record livestock numbers continuing the previous growth. On January 1, 1975, cattle and hog numbers were both 3 percent larger than the year before, and cows had gained by 1 percent. Sheep and goat flocks together increased by 2 percent. Poultry numbers probably climbed by 5-10 percent, since on December 1, 1974, they were running 11 percent above a year earlier on state and collective farms.

Most of the Soviet livestock sector's progress occurred on state and collective farms rather than on farmers' private holdings. Virtually every Soviet farmer has small holdings of cows, pigs, and chickens to meet family needs or to be marketed locally. But during 1974, the number of privately-owned cows dropped by 300,000 head, as did privately-owned sheep and goats. Cattle numbers (other than cows) held privately, however, advanced by 200,000 head.

The quantity of livestock products available to Soviet consumers in 1974 surged even more dramatically than did herds. Meat output alone was a million tons more than in 1973. Most of the million-ton jump was in pork and beef and veal. Production of meat and eggs each soared by 7 percent over 1973, with the number of eggs produced per hen gaining by 3 percent.

Wool production also recorded an unusually large increase, rising 6 percent to 461,000 tons. Milk output swelled 4 percent to 91.8 million tons, owing both to the increase in cow numbers and a 2 percent jump in milk yields per cow.

Soviet capital investment in agriculture in 1974 was 9 percent greater than the $36 billion invested in 1973. Outlays for agriculture totaled $40 billion in 1974, of which the State provided $26 billion and collective farms $14 billion.

To meet the ambitious 1975 goals, a 9-percent increase in capital investment over 1974 is contemplated. Of the $43 billion planned, the State would provide $29 billion, 12 percent more than in 1974, while collective farms would increase their investments by 2 percent to a little over $14 billion. Currently, 27 to 28 percent of total Soviet capital investment in the national economy goes to agriculture.

Land reclamation is an important focus of Soviet agricultural investment. More than 2.5 million acres of newly irrigated land was put into use last year, although half was improved pastureland. Also, more than 2 million acres was drained and, reportedly, water for livestock provided on 23 million acres. In 1975, another 2.4 million acres is to be irrigated and more than 2.5 million drained. If these goals are achieved, a total of 9 million acres will have been irrigated and 11 million acres drained during the Soviet Union's ninth 5-Year Plan (1971-75).

Soviet agriculture is becoming progressively more mechanized. In 1974, a total of 347,000 new tractors was delivered, 8 percent more than 1973, but 3 percent short of plan. Truck deliveries totaled 250,000, an increase of 25,000, and were equal to plan. The 83,000 grain combines received, however, fell short of the planned 99,300 by 16 percent. Reportedly, planned levels were fulfilled for most other important kinds of agricultural equipment.

Nearly 64 million tons of mineral fertilizer was spread on Soviet crop and pastureland in 1974, 5.4 million tons more than 1973, but about 700,000 tons less than planned. Deliveries of mineral fertilizers are to advance even more sharply in 1975 to reach 72.4 million tons, an increase of 8.5 million. The shortfall in 1974 fertilizer deliveries suggests that the 1975 plan will be very difficult to meet.

Some early indications of Soviet production levels this year are already

Continued on page 16

USSR: PRODUCTION OF MAJOR CROPS, 1970-74
[In million metric tons]

Crop	1970	1971	1972	1973	1974
Grain	186.8	181.2	168.2	222.5	195.6
Cotton	6.9	7.1	7.3	7.7	8.4
Sugarbeets	78.9	72.2	76.4	87.0	76.4
Sunflowerseed	6.1	5.7	5.0	7.4	6.8
Potatoes	96.8	92.7	78.3	108.2	80.7
Vegetables	21.2	20.8	19.9	25.9	23.1

USSR: LIVESTOCK NUMBERS ON JANUARY 1, 1971-75
[In millions of head]

Category	1971	1972	1973	1974	1975
Cattle	99.2	102.4	104.0	106.3	109.1
Cows	41.0	41.2	40.6	41.5	41.9
Hogs	67.5	71.4	66.6	70.0	72.2
Sheep and goats	143.4	145.3	144.7	148.5	151.1

USSR: PRODUCTION OF LIVESTOCK PRODUCTS, 1970-74

Product	1970	1971	1972	1973	1974
	Mil. M.T.	*Mil. M.T.*	*Mil. M.T.*	*Mil. M.T.*	*Mil. M.T.*
Meat	12.3	13.3	13.6	13.5	14.5
Milk	83.0	83.2	83.2	88.3	91.8
	Bil.	*Bil.*	*Bil.*	*Bil.*	*Bil.*
Eggs	40.7	45.1	47.9	51.2	55.0
	1,000 M.T.	*1,000 M.T.*	*1,000 M.T.*	*1,000 M.T.*	*1,000 M.T.*
Wool, unwashed	419	429	420	433	461

India's Peanut Stocks Falling, Output Down, Supplies Tight

INDIA'S 1974-75 oilseeds production is currently estimated at 11.8 million metric tons, compared with 12 million tons in 1973-74, a decrease of nearly 2 percent.

The 1974-75 peanut harvest is estimated at 5 million tons (in shell) compared with 5.8 million tons in 1973-74. Total area planted in 1974-75 is about 10 percent less than in 1973-74, because of insufficient rain at planting time.

Prospects for rapeseed and mustardseed, flaxseed, and safflower are good, and have further improved as a result of rain in late September and early October 1974.

Estimated availability of oilseeds and products for domestic consumption during the 1974-75 season is about 3.2 million tons, compared with 3.1 million tons in the 1973-74 and 1972-73 seasons. But India's total demand for fats and oils is rising, because of unabating increases in population, and domestic production of vegetable oils continues to lag behind demand.

Peanut exports in 1974 at about 100,000 tons (shelled) were at record volume. Linseed oil is in good export demand following 2 decades of low-level trading activity, and shipments were estimated to total some 30,000 tons in 1974.

Exports of oilcake and meal, including peanut meal and cottonseed cake and meal, were smaller in 1974 than in 1973. Peanut meal exports in 1974 are estimated at 675,000 tons, down 143,000 tons from the 1973 level, and those of cottonseed cake and meal at about 150,000 tons, down 100,000 tons from the 1973 total.

Import prospects, despite larger domestic shortages of edible oils in 1974, are no better than in 1973 because of the dual problems of limited foreign exchange availability and high foreign prices of edible oils.

Oilseed prices remained high throughout calendar 1974. Peanut oil was quoted at about $1,360 per ton in Bombay on August 22, 1974, compared with about $1,227 in July 1973. Linseed oil was quoted at a record $1,137 per ton on February 13, 1974. Prices of edible oils have eased somewhat, as a result of the Government's drives against inflation and hoarding.

Total area sown to peanuts for the 1974-75 season is estimated to be about 10 percent below the estimated 18 million acres sown for 1973-74. Acreage planted to sesame and castorseed also is down by 2-4 percent from 1973-74 levels because of drought in the major growing areas.

Area sown to rape and mustardseed, flaxseed, and safflower for 1974-75 is estimated to be about the same as, or somewhat larger than, area sown in 1973-74.

Overall acreage planted to oilseed crops for 1974-75 at about 59 million acres thus is about 4.5 percent less than the estimated 61 million acres sown in 1973-74.

In addition to the estimated 5-million-ton peanut crop—compared with 5.8 million tons in 1973-74—production of sesameseed in 1974-75 is estimated at 475,000 tons, compared with 486,000 tons in the previous year, and castorseed at 250,000 tons, compared with 235,000 tons in 1973-74.

Yields per acre of oilseed crops continue to be very low, causing chronic shortages. Yields vary from year to year, depending on rainfall and seasonal conditions. Seed varieties and farming techniques are being improved, but progress is slow.

STEADY increases in world vegetable oil prices have precluded large-scale imports of these items, to the detriment of India's vanaspati and soap industries, which in recent years have come to depend more on imported fats and oils.

In the first 3 months of 1974, about 15,000 tons of rapeseed were imported from Canada, about 5,000 tons of soybean oil from the United States, and about 21,000 tons of palm oil were imported each from Malaysia and Singapore.

Another 8,500 tons of rapeseed oil and 2,500 tons of palm oil were imported in April-July 1974, and 10,000 tons of soybean oil and 6,000 tons of palm oil reportedly were imported during August-September 1974.

About 10,000 tons of sunflowerseed oil may have been imported from the Soviet Union during 1974, bringing total oil imports to about 83,000 tons in calendar 1974. In addition, about 10,000 tons of sesameseed from Sudan and about 35,000 tons of rapeseed (balance of the 1973 $15 million Canadian grant) also were imported. This volume of imports was considerably short of actual requirements, however.

Domestic consumption is to some extent supplemented by imports, but limited availability of foreign exchange is an impediment and the supply-demand gap remains unbridged. Domestic consumption of fats and oils is also supplemented with butter and ghee as well as with small quantities of animal and marine fats and oils.

PER CAPITA consumption of both edible and inedible oils in 1973-74, despite the large oilseed crops harvested that season, was lower, and is estimated at 11.6 pounds, compared with 11.8 pounds in 1972-73 and 13.4 pounds in 1971-72. Consumption in 1974-75, according to present crop estimates, will increase marginally to 11.9 pounds.

Carryover stocks on September 30, 1974, were estimated at 465,000 tons, of which 450,000 were peanuts and 15,000 tons castorseed. But carryover stocks at the end of the current season—September 30, 1975—are expected to be down sharply as a result of the small peanut crop in prospect.

Under the Fifth Five-Year Plan (1974-75/1978-79), India's total demand for edible and inedible vegetable oils is projected to increase to 4.3 million tons, of which 3.5 million tons are to be obtained from production of the five major oilseeds—peanuts, sesame, rape and mustardseed, flaxseed, and castorseed. Except for the First Five-Year Plan, oilseed targets have not been achieved.

The Government is sponsoring several new programs designed to increase oilseed production—the Intensive Oilseeds Development Program (aimed at improving agronomic and cultural practices) and the extension of oilseed production to new irrigation projects. If successful, these two schemes will result in the addition of about 1.3 million tons of oilseed.

In a separate move, the Ministry of Agriculture has proposed to sow about 2.6 million additional acres to sunflowerseed.

—Based on report from
Office of U.S. Agricultural Officer
Bombay

Japanese data show

Japan's Imports of U.S. Soybeans Down in 1974; Some Gain Now

JAPANESE IMPORTS of U.S. soybeans are expected to be greater in the last half of that country's 1974 fiscal year (JFY—April 1974-March 1975), but imports for the entire fiscal year are forecast at a slightly lower level than those of JFY 1973. Other data show that Japanese imports of U.S. soybeans in calendar 1974 (ending Dec. 31, 1974) were also smaller than those of the previous year.

The fiscal year estimate, made by the Japanese Soybean and Supply Consultative Council in mid-October, indicates that Japanese imports of U.S. soybeans between October 1974 and March 1975 will be 17 percent higher than during the same months of the previous fiscal year.

However, these were offset by imports n April-September 1974 some 20 percent smaller than those of the same period in the previous year, for an overall drop of 3 percent.

The Council estimates that soybean mports from the United States for all of JFY 1974 will be 3.08 million tons, compared with 3.16 million tons in the fiscal 1973. (All tons are metric.)

For the first half of the year (April-September), a comparison between the 2 fiscal years shows that imports from the United States in JFY 1974 were 1.35 million tons, compared with 1.67 million in JFY 1973. During the October-March period, imports were expected to be an estimated 1.73 million tons in JFY 1974, up from 1.48 in JFY 1973.

Data covering Japanese imports of U.S. soybeans during calendar 1974 indicate they were about the same as those for JFY 1974. Of total calendar 1974 soybean imports of 3.38 million tons, the United States is expected to have provided about 3.1 million tons. The previous calendar year's imports from the United States set a record at 3.21 million tons. Total imports are expected to go to 3.6 million tons in calendar 1975, with the United States providing about 3.25 million tons.

The drop in calendar 1974 soybean imports resulted when Japanese oilseed processors were caught in a squeeze between high world prices for soybeans and rapeseed and a decline in the demand for meal. Growing meal stocks resulted in some cutback in processing volume. But since oil consumption continued to expand, oil imports—especially soybeans—expanded sharply.

Meal prices rose by about 24 percent in the fourth quarter of calendar 1974. Soybean prices began to climb in June.

Meal stocks are expected to have been cut to more nearly normal levels by the end of 1974 because of the reduced crushings. Oil demand probably continued strong until yearend, requiring further oil imports in late 1974, while meal demand will probably remain weak as long as the Japanese poultry and livestock industries are squeezed by high feed prices and lower-than-expected wholesale meat prices.

Also announced during the October meeting, held under the jurisdiction of the Japanese Ministry of Agriculture and Forestry (MAF), was the formation of the Edible Soybean Reserve Association.

The Association, operating under MAF authority will help to maintain stable prices for edible soybeans by requiring crushers to administratively set aside certain amounts of edible soybeans for later sale if the market price increases by amounts the Association considers "excessive." In this event, crushers will be required to sell the beans to the soybean food industry at the prices existing when the beans were put in reserve. To cover expenses, crushers will receive one-third of the storage costs (including interest) from MAF through the Association. The other two-thirds will be absorbed by the crushing industry. The Association will have authority to set aside 20,000 tons.

Production. Japan's important oilseed crops are soybeans, rapeseed, and peanuts. The Government pays an incentive to promote the production of soybeans and, as a result, area planted to soybeans was expected to rise in 1974. However, soybean area actually fell, as did area planted to rapeseed. Peanut area rose slightly.

Government estimates for oilseed production in 1974, compared with that of 1973 (in parentheses), in thousands of tons, follow: Soybeans, 112 (118.2); rapeseed, 9 (12.7); and peanuts, 101 (97.2).

Imports. In addition to the 3.1 million tons of soybeans that the United States provided in calendar 1974, the People's Republic of China is expected to have shipped another 230,000 tons, and Brazil about 50,000 tons.

Japan's 1974 imports of rapeseed and mustardseed are estimated at about 650,000 tons, a marked decrease from estimates made earlier in the year. The estimated drop was attributed to reduced availability and high world prices, as well as a strike at the port of Vancouver. Of the total, Japan was expected to import about 520,000 tons from Canada and 130,000 tons from Europe.

Imports of edible vegetable oils in 1974 are estimated at 193,000 tons, an increase of 10 percent over the previous year's. Despite a falloff in oilseed crushing, Japan's vegetable oil consumption increased about 3 percent, causing the jump in imports. Foreign purchases of soybean oil are estimated at 40,000 tons in 1974, compared with 6,000 tons in 1973. Imports of soybean oil are expected to drop to 30,000 tons in 1975.

Total imports of oilseed meals are estimated at 300,000 tons in 1974. Earlier estimates set the total about 40,000 tons higher, but a jump in world prices cut demand. Imports of soybean meal in 1974 may have reached 125,000 tons, down about 4 percent from 230,000 tons in 1973.

Consumption. Total Japanese soybean utilization in 1974 is estimated at 3.6 million tons, including 2.76 million tons used by the crushing industry and 730,000 tons for traditional foods.

Consumption of all edible fats and oils in 1974 is estimated at 1.76 million tons, about the same as the previous year's. Consumption of vegetable oils increased in 1974, but that of animal fats and oils declined because of reduced foreign supplies.

Consumption of all oilcakes and meals in 1974 is estimated by the feed industry at 2.9 million tons, 5 percent below that of the previous year.

—Based on report from
Office of U.S. Agricultural Attaché
Tokyo

1974 FARM GAINS SPUR BRAZILIAN ECONOMY

STRONG EXPANSION in coffee, wheat, and soybeans lifted Brazilian farm output some 8.7 percent in 1974 for one of the best years in recent history. This growth further underlined agriculture's key role in Brazil, although agriculture too faces a number of problems, including surpluses and falling prices for some products, a lagging livestock industry, and accelerating inflation.

On the trade front, agriculture's gains contributed to a good export year in 1974, as shipments rose to about $4.5 billion—an alltime record. Expansion is seen continuing through 1975, with sugar, soybeans, and coffee leading the way. (Agricultural products normally account for 60-65 percent of Brazil's total export earnings.)

This trade, in turn, will be highly important in reducing a staggering trade deficit brought by a 106 percent jump in imports last year to $12.4 billion. The resulting $4.7 billion deficit pushed Brazil's current account deficit to about $7 billion—five times the 1973 level—forcing the country to reduce its foreign exchange reserves some $1.4 billion and to borrow heavily abroad.

In response, the Government has moved to restrict imports, including a number of U.S. products; expand production of deficit commodities such as wheat; and encourage Brazilian exports. However, Brazil also will be helped by the fact that, aside from mounting oil bills, much of last year's import gain was caused by inventory accumulation—of fertilizer, steel, copper, and other raw materials—which will probably be worked down in 1975 in lieu of increased imports. And Brazil's recent offshore oil discovery bodes well for eventually reducing oil imports.

Brazil's economy as a whole grew an estimated 10 percent in real terms last year, according to the Getulio Vargas Foundation. This includes a sag in industrial growth to 9 percent from the 15 percent of 1973, but a doubling of the agricultural growth rate to 8.7 percent.

Economic expansion, however, cost the country heavily in terms of inflation, which is estimated by some sources at 2½ times the officially admitted rate for 1973 of 13.7 percent. For Brazilians, inflation also means income inflation, since it is standard practice to adjust salaries, rents, savings, and debts upward by the average amount of inflation of the previous years. Although one never "catches up," a 30 percent increase in take-home pay over the year took some of the sting out of an inflation rate equivalent to about three times that recorded in the United States.

As in the United States and many other countries, food costs have become the sorest spot in the Brazilian consumer's budget. For many years, food prices had been inflating but not as rapidly as the general price index (GPI). But in January 1974 that relationship reversed itself, and soaring food prices continued to be a nagging problem throughout 1974 as the food price index shot from 360 to 530 (1965-67 base) during the year ended in November 1974 while the GPI went from 375 to 513.

Among principal crops, extremely high growth was recorded in coffee, wheat, and soybeans—up 89, 58, and 48 percent respectively, from 1973 levels. Most other crops, with the exception of peanuts and cotton, registered slight but comfortable gains. The cattle industry on the other hand, continued its slow growth of recent years, while also being hit hard by slackened world demand for beef and widening restrictions against its import—particularly in the European Community.

And in contrast to the encouraging production results for most crops, marketing of several was disappointing. Coffee exports, at about $900 million, fell 33 percent from the previous year. Because of a sluggish international market and quality problems with the 1974 crop, cotton moved slowly in both domestic and world markets, and the Government had to take 15 percent of the crop under loan. Slowing demand also forced Government help for sisal, castorbeans and castor oil, and meat.

Sugar. Brazil's 1974-75 production of sugar climbed about 6 percent from the year before to 119 million bags (60 kg each), with weather and labor problems keeping output under the initially authorized level of 125 million bags. Still, producers reaped the benefits of exceptionally good sugar prices during 1974, as Brazil's 1974 sugar exports of 2.3 million tons earned some $1.33 billion compared with only $553 million earned from 2.8 million tons the year before. Weather conditions have been favorable so far for the coming 1975 cane crop, to be harvested beginning in June.

THE MOST significant development last year for the United States was Brazil's failure by some 50,000-60,000 tons to meet its quota (including deficits) under the now-expired Sugar Act and confirmation of reports that Brazil would have no sugar available for this market during the first 6 months of 1975. In the past Brazil usually exported about 600,000 tons of sugar per year to the U.S. market under quotas extended to it in the Sugar Act.

Coffee. Brazil's 1974 coffee crop rose to 27 million bags for a sharp gain from the frost-damaged 1973 crop of 14.3 million bags and the beginning of a new era of expanded coffee production in Brazil. It also ended an 8-year cycle of low production, largely the result of the Brazilian Coffee Institute's (IBC) eradication program. That program financed the uprooting of 1.5 billion coffee trees, or about 30 percent of trees existing in 1961, at a time of problems with unfavorable weather and leaf rust, causing output to fall sharply.

In the past 2 years, however, the IBC has financed extensive tree plantings, which together with rising coffee prices in 1973, minimal damage from rust, and timely rains contributed to the production turnaround.

Ironically, this large 1974-75 crop came at a time of sharply reduced demand for Brazilian coffee and an abrupt slowdown in exports. From the record 19.8 million bags valued at $1.34 billion shipped in 1973, these exports fell

to 13 million bags valued at between $900 million and $1 billion in 1974. As a result, coffee has lost to soybeans and sugar its longstanding position as Brazil's No. 1 farm export. At the same time, some additions have been made to Brazil's coffee stocks, which had been drawn down in recent years.

Soybeans. Output of soybeans continued its amazing expansion of recent years, rising some 48 percent above the 1973 level to an estimated 7.4 million tons. Another big leap to 9.3 million tons is seen for 1975.

Brazilian exports of 1974-crop soybeans are estimated at 2.8 million tons, a million greater than those in 1973. Meal shipments rose to about 2.5 million tons from 1973-crop exports of 1.4 million, and Brazil's 18-month embargo on soybean oil exports was partially lifted in December 1974 when the Government authorized exports of 10,000 tons of oil from Rio Grande do Sul.

Export policy for 1975-crop sales has not been announced, although it is expected to call for creation of a Government agency to market Brazilian soybeans. Soybeans would thus join the select group of commodities (coffee, sugar, and wheat) completely controlled by the Government. Soybean exports in 1975 are estimated at 4.2 million tons and soybean meal at 2.6 million.

Cocoa. Brazilian production of cocoa is estimated at 200,000 metric tons in 1974, compared with 245,500 the year before. Despite smaller production, exports of cocoa beans and cocoa butter through October 1974 had risen to over $240 million from $81 million in 1973.

Brazil normally ranks as the world's second or third largest cocoa producer behind Ghana and Nigeria. Almost all of its production is in the States of Bahia. However, the Ministry of Agriculture, through CEPLAC (the official organization for development of cocoa output) plans to gradually expand existing areas planted to cocoa and to open new areas in the States of Espirito Santo, Pará, Amazonas, and the territory of Rondonia. This program aims at increasing output from the current average of 200,000 tons yearly to 560,000 within 5 to 7 years.

Cocoa also is an important export item for Brazil, normally ranking as the seventh largest agricultural export—a position aided by prices in the first 10 months of 1974 that averaged 76 percent above those of the 1973 period.

Castorbeans. Brazil's 1974 castorbean crop was the largest on record, climbing to an estimated 540,000 tons from 420,000 in 1973 as producers reacted strongly to peak prices in late 1973 and early 1974. However, producer prices then fell precipitously, dampening prospects for the 1975 crop: with plantings down, production may slip to about 375,000 tons.

In the export market, the buoyant demand indicated by high 1973 prices did not hold up, and shipments during 1974 inched ahead to about 146,000 tons from 132,223 the year before. As a result of this slower-than-anticipated pace, an export pool was established under Government auspices in May 1974. All export sales subsequently were made to the pool, with each exporter participating by means of quotas. Industry quotas were set at 40,000 tons each for the May-July, August-October, and November-January periods. The pool originally operated with a minimum export price of $870 per ton, but this was eliminated in July.

As part of its policy to brake the decline in producer prices and relieve exporters left with large oil stocks, the Government in a combination purchase-stock financing arrangement effectively took 40,000 tons of oil off the market in May. This oil will not be available for sale until the third quarter of 1975. Current forecasts place 1975 castor oil exports at 175,000 tons.

Peanuts. Brazilian production of peanuts in 1974-75 is forecast at around 500,000 tons, or slightly under the 530,000 estimated for 1973-74. Producer prices have been much higher this season than last, but apparently not high enough to interest planters who have turned to other crops. Estimated 1974 exports of peanuts, peanut oil, and meal are 50,000, 25,000, and 60,000 tons, respectively—all under levels recorded the previous year.

Fruits and vegetables. Production of citrus during 1974 rose some 23 percent from the 1973 level. Most of the gain occurred in oranges, which account for about 90 percent of Brazilian citrus output. In São Paulo—the main producing, processing, and exporting State—production rose to about 71.2 million boxes from 56 million in 1973. Exports of orange juice concentrate during calendar 1974 were around 110,000 tons, compared with 119,000 in 1973. However, an additional 20,000-25,000 tons of 1974-crop juice is expected to be shipped during January-April 1975.

Domestic production of high-quality apples and peaches is progressing well in new plantations in the State of Santa Catarina. According to current estimates, production from these new orchards will be reaching major Brazilian consumption centers within 2 to 3 years, thus providing the local market, for the first time, with high-quality apples and peaches from domestic output.

COMMERCIAL PRODUCTION of most other fruits and vegetables was higher in 1974 than in 1973. Good weather helped improve yields of several major items, especially potatoes, onions, grapes, tomatoes, and bananas. Price increases were recorded for all items.

Cotton. Following initial bright prospects, cotton production ran into problems in 1973-74, as excessive March rains dropped outturn 15 percent and caused quality to deteriorate. The resulting crop totaled about 577,000 tons of lint cotton, compared with 642,000 originally forecast, and it is expected to dip further to 560,000 tons in 1974-75.

Exports of lint cotton were extremely slow in 1974, falling to only 72,405 tons in the first 10 months of 1974 from 272,706 the year before.

Tobacco. Output of cigarette and cigar leaf in 1974 rose some 20 percent from the previous year's to 218,000 tons, with virtually all the gain in Virginia flue-cured. More rapid growth is seen for 1975, with total tobacco output forecast at 270,000 tons.

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U.S. Food Sales Team Hopes To Tap Rich Mideast Markets

By DANIEL SHEPPARD
International Trade Fairs Division
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THE FIRST U.S. food sales team to attempt to cash in on Saudi Arabia's economic boom departed February 16 to spend 3 weeks introducing new U.S. processed foods to potential buyers in the prosperous Mideast. The team, which includes two Government officials and five leading food industry representatives, will also visit Kuwait and Bahrain.

The team's visit is largely a result of a USDA study completed last summer that identified U.S. food products most likely to be best-sellers in these markets. Thus, team members include distributors and exporters of high potential products such as canned fruits and vegetables, vegetable oils, juices, pasta products, and frozen meat and poultry.

While in the Mideast, the U.S. food industry representatives will sell their products directly, develop contacts for further sales, and develop agency arrangements. Three-day meetings—to include product displays and samples—have been arranged with local food industry representatives and other business leaders in Jidda, Damman, and Al Khobar, principal commercial cities in Saudi Arabia; as well as in Bahrain and in Kuwait.

In Jidda, the event will be held at the U.S. Embassy's commercial information center located in a major hotel. For the remaining 2 days in each area, team members will be free to develop specialized contacts.

Competition is high for these lucrative markets, however, and food sales missions from competing countries—France, Australia, Ireland, and Denmark, for example—are eagerly vying for the processed food trade. In Kuwait, the U.S. Embassy will arrange private meetings for team members, since the Kuwait Government has requested that special food showings be curtailed.

Members of the U.S. sales team include the author, who is project leader, and John Glatt, escort officer representing the National Association of State Departments of Agriculture. Industry members are:

- Percy A. Rideout, president and managing director of California Valley Exports, a firm specializing in export sales of items such as canned fruits and tomato products.
- Antonio Teijeiro, president, Cadur Trading Corporation, exporter of soybean oil, shortening, and other food items.
- Charles T. Bartholomew, president, Timberline International, Inc., representing companies that produce textured vegetable protein, pasta products, citrus juices and fruit drinks, bulk and packaged beans, peas, and lentils, hot sauce, and other products.
- Peter J. T. Nelsen, president, Atland Corporation, distributor and exporter of livestock, fresh and frozen meat, chicken parts, and Cornish hens.
- Joe Manaster, president, J. Manaster Company, specializing in fresh, frozen, and procesed poultry.

U.S. processed food products are by no means new to these markets, and both the volume and value of sales have grown rapidly in recent years. Total U.S. farm sales to Arabian Peninsula countries reached $175 million in 1974, of which some 15 percent was of processed foods. This compares with only about a 10 percent share as recently as 1972.

Underlying the export surge is, of course, the rapid expansion of the economies of Arabian Peninsula nations, propelled by an estimated $60 billion in oil export revenues in 1974. Foreign exchange earnings could swell to a range of $200-$300 billion by 1980, according to various estimates. As a result, nearly every country that has an exportable food product is fighting for a piece of this wealthy market.

In an effort to help the U.S. exporter to compete and to capitalize on this vastly higher buying power, a study of Saudi Arabia, Bahrain, and Kuwait was undertaken by the Foreign Agricultural Service, together with the National Association of State Departments of Agriculture.

Study objectives were to determine the export potential for U.S. processed foods, identify principal food merchants, and evaluate the potential for further market development activities.

In general, the study concludes that prospects for expanding sales of specific U.S. processed foods are good, although some offsetting factors are also identified. Because of the importance of personal contacts in developing the market, the authors provide a list of importers and other important contacts.

(Single copies of the study may be obtained free from the Export Trade Services Division, FAS, USDA, Room 5935 S., Washington, D. C. 20250.)

Foods singled out by the study as having exceptional sales potential include rice, cooking oil, canned fruit, fruit juices, frozen vegetables including french fried potatoes, condiments, confectionery products, choice beef cuts, frozen poultry parts, frozen bakery products, honey and syrups, pickles, preserves, snack foods, and textured vegetable protein.

Food requirements are similar in Saudi Arabia, Bahrain, and Kuwait, as are ethnic backgrounds, climate, natural resources, and location. All have hot, arid climates and desert soils that support little agriculture, so that these nations as a group must import 80 percent or more of their food needs.

Traditionally, the region's food imports come mainly from the Mediterranean area or other countries in southern Europe. At present, the United States has only about a 33 percent share of Saudi Arabia's total food imports, while in Bahrain and Kuwait, the U.S. share is less than 10 percent. Previously, the criterion for imports has been price competitiveness—vital for sales in the low-priced, native "souk" food markets.

But a new marketing system emerging in urban areas could make it easier for Arab shoppers to buy U.S. foods. Western-style supermarkets are being established, and they are rapidly gaining popularity with the native population. Although the supermarket industry is still in its infancy, a number of new, modern stores are planned or already under construction. The new stores are larger than the early prototypes, and offer a better selection of brands, package sizes, quality grades, and much larger frozen food sections.

With the advent of the modern supermarket, the importance of the "souk" food market is diminishing. Consequently, exporters that serve this market with lower-priced foods face a sales slowdown. Loss of this market will affect European and Asian exporters more than those from the United States.

Because of the strong need for imported food, few restrictions are placed on these imports, which—except for certain requirements on meat and poultry—enter virtually free of duties or other barriers. In Saudi Arabia, the only duty levied on food imports is a 10-percent duty on poultry to sustain local production.

A recent development sure to benefit U.S. exporters is Saudi Arabia's new labeling requirements, effective last July 1. The regulations were modeled largely on the U.S. Food and Drug Laws, and will go far to eliminate competition from low-priced, inferior-quality products. Obviously, U.S. products that meet standards for sale in the United States should meet the requirements, provided labels are in order. New labeling regulations include:

- Food names, contents, and ingredients must be printed in Arabic, beginning in 1976.
- Products containing additives, including water, must be labeled. If a fruit juice is diluted with water, for example, it must be labeled fruit drink.
- Islamic law forbids the eating of pork products, so that all products that could contain pork derivates, such as gelatin, must be specifically labeled. Poultry must also be certified to have been slaughtered in conformance with Moslem law.
- Since alcoholic beverage imports are prohibited, products labeled as containing alcohol will be denied entry.

"Food requirements are similar in Saudi Arabia, Bahrain, and Kuwait . . . must import 80 percent of their food needs."

In Bahrain, the import duty on food is 5 percent ad valorem and 7.4 percent on cooking oils. Although flour imports are prohibited, there are no restrictions on importing pork products and no regulations regarding labels.

Kuwait has no import duties on food. Pork products, however, can be imported only with a license. There are no labeling requirements, but imports of alcoholic beverages and flour are prohibited.

None of these countries levies internal taxes on food or marketing activities such as warehousing, storing, or packing. Neither are there restrictions on the transfer of money or payment for goods.

Because of the political situation, any firm that manufactures products in Israel or that has given "aid and comfort to the enemy" is prohibited from doing business in the Arab countries.

One of the thorniest problems plaguing the U.S. food exporter is transportation, worsened by the energy crisis and the closure of the Suez Canal.

Reportedly, fewer ships are available to U.S. exporters, Conference lines sailings are, in some instances, 3 months apart, and charter ships have tended to seek cargoes and routes where returns are higher.

Thus, the time lapse from placement of orders to receipt of goods in Arabia is now close to 6 months. European and Australian exporters can deliver merchandise in half this time.

Spiraling transportation costs have handicapped exporters, who now often quote prices on an f.o.b. basis. Also, surcharges are added for such conditions as war risk and fuel costs. In some cases, total transportation costs have equaled or exceeded merchandise costs.

Arabian ports are somewhat outmoded, with little modern equipment. Thus, some ships have been delayed for as long as a month by dock congestion, resulting in a hefty freight surcharge.

The transportation picture is not entirely dark, however, and events now taking place offer hope for future improvement.

- Modernization of the port of Jidda, as well as Damman and Bahrain, is almost completed. Unloading capacity is greatly increased and some mechanization is now being used. Container shipments cannot be lifted, however.
- A free zone for re-export and transshipment is being planned in Bahrain. This will facilitate distribution of cargo to other Gulf ports. A causeway from Bahrain to Damman is scheduled for construction to provide another gateway to eastern Saudi Arabia.
- Food products are being given priority for unloading at some of the ports.
- Opening of the Suez Canal will shorten the distance and time from the United States, as well as from Europe.
- National airlines in Saudi Arabia, Kuwait, and Lebanon are investing heavily in wide-body jet freighters, in recognition of the growing need for better transport.

Arab merchants are eager to discuss their food marketing systems and sales potentials with foreign exporters. They are also well aware of the high quality of U.S. foods, although price competition sometimes dictates a choice of a lesser quality product.

Major competition for U.S. processed foods comes from Denmark, the Netherlands, the United Kingdom, France, Bulgaria, Romania, the People's Republic of China, and Australia. Poultry products from both Eastern and Western Europe compete with U.S. products. Canned vegetables enter from the United Kingdom, Italy, the PRC, and France.

"Nearly every country that has an exportable food product is fighting for a piece of this wealthy market."

A further avenue that bears exploring by interested U.S. businessmen is the joint venture. Arabs seem to be particularly interested in joint ventures for franchised restaurants, food packaging and distribution, hotel construction and operation, poultry production and processing, and the manufacture of small household goods and appliances. Most ventures will require a majority ownership by Arab nationals, but the participating firm is then able to escape income taxes and is free to transfer profits out of the country.

Although the size of the Arab market for processed food imports is still limited by relatively small population, the petroleum bonanza has also triggered a virtual population boom. Urban centers are being swelled by an influx of skilled immigrants and laborers, as well as foreign businessmen and tourists. Estimates of Saudi Arabia's population vary greatly, with the consensus favoring about 6 million. Bahrain's population is about 235,000 people, and Kuwait's about a million, with recent growth estimated at 9 percent annually.

Economies in all three countries center around the petroleum industry, although Bahrain and Kuwait have smaller known reserves of crude oil

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Europe Offers Trade Chances For U.S. Peanuts and Products

By EVANS BROWNE
Foreign Market Development, Oilseeds and Products
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EUROPE IS AN IMPORTANT customer for U.S. peanuts, buying them in all their major categories—raw, shelled (including edible); raw, unshelled; prepared and preserved (blanched, roasted, and salted); and as peanut butter. U.S. exports to Europe of all peanut categories soared in volume and value in fiscal 1974 as part of a general jump in U.S. peanut shipments to all markets.

Among the most important European markets for U.S. peanuts are the United Kingdom, the Netherlands, Germany, Switzerland, and France.[1] A USDA trade team[2] visited these countries in mid-1974, and returned with optimistic views on trade possibilities with some of the five, and less glowing ones for the others.

The team carried with it a total of about 75 different samples of commercial peanut products to demonstrate the peanut's versatility. Among these were peanut butter cracker sandwiches and peanut butter cookie sandwiches, both of which were generally unknown in Europe, as were peanuts salted in the shell.

Another trade team is scheduled to go to the United Kingdom and France in February 1975 to try to interest U.K. and French peanut butter producers in participating in a promotion campaign to help strengthen consumer awareness of the United States as a peanut supplier.

Total U.S. exports of all categories of peanuts to all markets rose from 408.5 million pounds in fiscal 1973 to 528 million in the fiscal year that ended June 30, 1974, with total exports of peanuts to Europe climbing from 260.9 million pounds to 326.6 million pounds. Value of total peanut exports and exports to Europe alone more than doubled. The value of shipments to all destinations rose from $62.6 million in fiscal 1973 to $134.5 million in fiscal 1974, while those to Europe went from $35.5 million to $81.2 million.

Most of the recent jump in U.S. peanut shipments resulted when poor crops in several major producing countries—especially the Central African countries of Nigeria, Sudan, Senegal, and Malawi—made it impossible for them to service fully their regular export markets.

U.S. peanut exports to Europe, and particularly to the five countries discussed in this article, probably will dip to more nearly normal levels when African and Indian crops again come on the market in volume.

U.S. shipments of all peanut categories to the **United Kingdom** rose by 30 percent in volume and 126 percent in value between fiscal 1973 and 1974. Volume mounted from 22.5 million pounds to 29.3 million, while value went from $2.8 million to $6.3 million.

U.S. exports of raw, shelled peanuts rose by 20 percent from 22.5 million pounds in fiscal 1973 to 27 million a year later. Those of unshelled peanuts were 2.3 million pounds in fiscal 1974, up from zero the previous year. U.S. exports of peanut butter to the United Kingdom during fiscal 1974 amounted to just 3,000 pounds, but this was 2,000 pounds more than those of the previous year. Shipments of prepared and preserved peanuts in fiscal 1974—14,000 pounds—were down by 50 percent from those of the previous year.

U.K. consumers became acquainted with U.S. peanuts and peanut butter primarily during World War II, when the United States shipped large quantities of peanut butter to the United Kingdom as part of the Lend-Lease Program. Later, after U.S. entry into the war, American soldiers shared their peanut bars with many of their British friends.

Peanut butter caught hold at that time in a minor way, and there are now two major manufacturers of peanut butter in the United Kingdom. But although U.S. peanut butter has improved considerably since the 1940's, when peanut oil had to be stirred back into the peanut butter to give the mix proper consistency, Europeans, including the British, still generally think of U.S. peanut butter as having the same quality as that of 1940.

It is believed that the British market potential for peanut butter and other peanut products has not yet been fully exploited. In fact, it is estimated that despite the wartime introduction to peanut butter and the current availability of imported and domestic peanut butter, only about 20 percent of today's British housewives have ever served peanut butter to their families.

The **Netherlands** has as high a per capita consumption of peanuts and peanut products as the United States, where it was 4.8 pounds per person in 1971 for peanuts of all grades.

Historically, most of the peanuts consumed in the Netherlands come from African sources, but because of the African crop failure the United States increased its total peanut shipments to that country in fiscal 1974 by about 12 million pounds to 39.9 million pounds. Exports were 28.2 million pounds the previous year.

U.S. exports of raw, shelled peanuts to the Netherlands mounted by about 3.6 million pounds and $4.4 million, while those of unshelled peanuts rose nearly 5 million pounds and $1.3 million. Prepared and preserved peanuts increased some 3 million pounds and $883,000. The Netherlands regularly imports no U.S. peanut butter, having adequate manufacturing capacity to supply all or most of its requirements.

Switzerland's per capita consumption of roasted unshelled peanuts is even greater than the 0.39 pound recorded in the United States in 1971.

In fiscal 1974, this country exported nearly 83 million pounds of raw, shelled peanuts to Switzerland, up from 67.4 million the year before. U.S. sales of unshelled peanuts to Switzerland rocketed upward from 161,000 pounds to 3.5 million pounds.

Those of prepared and preserved

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[1] Although U.S. peanut exports to some European countries probably set records in fiscal 1974, it is difficult to determine this on a fiscal-year basis since U.S. trade data for peanuts are carried by calendar years.

[2] The 1974 team included the author; William V. T. Richie, peanut butter manufacturer, Cerritos, Calif.; H. M. Sessions, sheller, exporter, and peanut butter manufacturer, Enterprise, Ala.; W. J. Spain, sheller and exporter, Suffolk, Va.; and H. J. Reynolds, grower, Arabi, Ga.

peanuts rose by an even more startling amount, going from 17,000 pounds to 4.9 million pounds in fiscal 1974. Exports of U.S. peanut butter were only 8,000 pounds, a decline of 10,000 pounds from those of the year before.

But even with these sizable purchases of U.S. peanuts, the United States is generally only Switzerland's third largest peanut supplier. In calendar 1973—a year of more nearly normal U.S. sales—Switzerland bought only about 11 percent of its total peanut imports of some 144 million pounds from the United States. Of total imports, only about 9.1 million pounds were in the form of prepared peanut snacks.

Seventy-five percent of Switzerland's consumption of in-shell peanuts is during the October-December holiday season, with especially heavy usage at Christmas. But the year-round snack market is growing rapidly, and this growth could make easier the large-scale introduction of peanut butter cracker and cookie snacks.

Because of Swiss willingness to try new foods—especially at Christmas—this season would be a logical time to promote the sale of U.S. peanut butter snacks. Some Swiss tradesmen had indicated to the 1974 team they might support a peanut butter promotion campaign designed to introduce the U.S. products to a selected market at some undetermined time.

West Germany consumes peanuts in all forms, and in a wide variety of brands. Edible peanuts are generally consumed as salted, shelled peanuts.

West Germany was the smallest customer for U.S. peanuts of the five countries visited by the trade team. In fiscal 1974, U.S. exports of raw, shelled peanuts were only 9.5 million pounds, about 2 million pounds less than in the previous year. U.S. exports of prepared and preserved peanuts dropped by 34 percent to 132,000 pounds, but value remained the same at $67,000. Total peanut exports to West Germany were also off 14 percent to 10.4 million pounds, but value was up by nearly 150 percent to $3.3 million.

New exporters of peanut butter to West Germany would face a variety of problems in penetrating the market, however. Most German consumers have a strong preference for the traditional types of spreads, and the term butter can be used to describe only the dairy product. Peanut butter manufacturers generally call their product "peanut puree." The lack of a strict German labeling law apparently now works to the advantage of manufacturers who do not want to list ingredients. U.S. manufacturers use high-quality ingredients and list them prominently.

By indicating the product is made of U.S. peanuts, the recognition could be strengthened that the United States is an important supplier of peanuts and products to the West German market.

Although **France** is an important market for U.S. peanuts, importing a total of 86 million pounds in fiscal 1974, most of these were used for crushing for oil.

U.S. exports of shelled, raw peanuts to France totaled 80.4 million pounds, a boost of 80 percent. Four million pounds of the balance were unshelled peanuts, and about 1.5 million prepared and preserved peanuts. France also took 3,000 pounds of U.S. peanut butter in 1974—the same quantity exported to the United Kingdom—but the value was much lower.

The trade team that visited France in 1974 showed its assortment of peanut products to a group of tradesmen at the U.S. Embassy in Paris. On the basis of the response to this limited demonstration, the second trip to France was proposed.

U.S. PEANUT EXPORTS TO SELECTED EUROPEAN COUNTRIES, TOTAL TO EUROPE AND ALL DESTINATIONS, FISCAL 1973 AND 1974

Destination and year	Raw, shelled		Raw, unshelled		Prepared and preserved		Peanut butter[1]		Total	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 lb	*1,000 dol.*	*1,000 lb*	*1,000 dol.*	*1,000 lb*	*1,000 dol.*	*1,000 lb*	*1,000 dol.*	*1,000 lb*	*1,000 dol.*
Fiscal 1974[2]										
United Kingdom	27,006	5,588	2,294	665	14	9	3	2	29,317	6,264
Netherlands	30,554	8,214	5,333	1,380	4,011	1,094	—	—	39,898	10,688
Switzerland	82,920	20,870	3,543	991	4,863	1,345	8	4	91,334	23,210
Germany	9,505	3,055	709	192	132	67	40	23	10,386	3,337
France	80,415	19,212	4,189	1,195	1,492	453	3	1	86,099	20,861
Other Europe[3]	50,502	11,867	18,733	4,885	174	67	121	33	69,530	16,852
Total	280,902	68,806	34,801	9,308	10,686	3,035	175	63	326,564	81,212
All destinations	452,265	113,591	57,073	14,436	16,378	5,287	2,358	1,201	528,074	134,515
Fiscal 1973[4]										
United Kingdom	22,482	2,766	—	—	31	2	1	1	22,514	2,769
Netherlands	26,912	3,779	407	68	872	211	—	—	28,191	4,058
Switzerland	67,408	11,058	161	27	17	13	18	10	67,604	11,108
Germany	11,726	1,257	—	—	200	67	32	15	11,958	1,339
France	44,524	5,267	163	66	6	4	9	3	44,702	5,340
Other Europe[3]	84,143	10,626	1,479	131	229	123	46	23	85,897	10,903
Total	257,195	34,753	2,210	292	1,355	420	106	52	260,866	35,517
All destinations	379,240	56,903	19,449	2,890	8,742	2,271	1,065	517	408,496	62,581

[1] May include small amounts of emulsifiers and other ingredients. [2] July 1, 1973-June 30, 1974. [3] Does not include the Soviet Union or Canary Islands. [4] July 1, 1972-June 30, 1973.

Brazilian Farm Gains

Continued from page 11

Brazilian exports of unmanufactured tobacco climbed to 77,000 tons in 1974 from 63,562 the year before. A gain to 90,000 tons is seen for 1975, with 60,000 of this expected to be cigarette leaf.

Feedgrains. The 1974 corn crop, planted in 1973 but harvested during 1974, reached an estimated 15 million tons. Planting of corn for harvest in 1975 was delayed by late rains, but is still forecast to rise 6-7 percent from the 1974 level to around 16 million tons.

The big news in corn during 1974 was the Government's long-awaited and much-sought decision to permit exports. After licensing a half million tons, the Government agreed to permit another half million in calendar 1974, plus an additional 200,000 tons in January-March 1975. In terms of value, this trade vaulted to $80 million in 1974 from only $2.9 million in 1973, when less than 50,000 tons moved out. Given the good 1974 crop and the present promise of an even better one in 1975, shipments may increase again in 1975.

The official grain sorghum estimate for 1974 stands at 700,000 tons, with trade estimates ranging from 500,000 to 600,000 tons; 1975 output is forecast at 700,000-800,000 tons. Minimum prices this season have been upped 36-44 percent.

Foodgrains. Production of wheat in 1974 soared 58 percent over the 1973 harvest to an estimated 3 million tons, enabling Brazil to reduce its 1974-75 import plans and to cut by 500,000 tons its 1974 imports. With purchases from Canada fixed in a joint trade agreement at 1.3 million tons, the United States bore the brunt of the reduction, supplying nearly 900,000 tons in calendar 1974, compared with 1.54 million in 1973.

Wheat plantings and output in 1975 are forecast up 15 percent, while imports may slip to 1.2-1.5 million tons. However, Argentina is unlikely to ship any wheat under its bilateral agreement with Brazil, leaving Canada and the United States to supply the bulk of needs.

The 1973-74 paddy rice crop, earlier forecast as high as 6.5 million tons, actually totaled 6.2 million. Output in 1974-75 is seen reaching 6.5 million tons, allowing for little, if any, stock building.

Although Brazil shipped a small amount of rice (20,000 tons) to Iraq during 1974, no other exports were made, and shipments in 1975 also are expected to be insignificant. In fact, the Government has been considering importing up to 40,000 tons to force those holding stocks to sell at official minimum prices.

Dry beans. Final trade estimates put 1974 production about 100,000 tons below the last official estimate of 2.36 million tons. For 1975, minimum prices for beans were raised 32-45 percent, but this is not expected to stimulate production growth.

Early in the year, traders had indicated an interest in importing U.S. beans, but a return—after the 1973 reduction—to the 55 percent duty for non-LAFTA countries keeps the United States out of the market.

Livestock and poultry. Brazil's cattle population in 1974 was an estimated 88 million head, while beef output rose 5 percent to around 2.1 million tons. Beef supplies rose even more, as exports dropped 63 percent from the 1973 level to about 50,000 tons. As a result, the country had substantial frozen stocks, eliminating the traditional problem of beef shortages during the off season (entre-safra). Cattle prices remained high throughout the year, reflecting heavy replacement brought on by the high slaughter rates of recent years and rising domestic beef consumption.

For 1975, cattle numbers are expected to increase about 3 percent, and beef production is seen edging up to 2.14 million tons. Exports during 1975 will again be limited by the Government to 80,000 tons, but even reaching this level will be difficult in view of beef restrictions in the European Community and other areas.

Milk production in Brazil suffered from a prolonged dry season in 1974. As a result, output may not reach the 7.3 billion liters of the year before. As in 1973, the Government imported dry milk during 1974 to help alleviate milk shortages during the dry season.

Future growth in dairy output may be helped by Government moves in 1974 to increase financing and producer prices. The Ministry of Agriculture has promised to make further increases in producer prices as input costs rise and to continue to improve credit availability during 1975.

Production of pork in 1974 rose to an estimated 723,000 tons from 700,560 in 1973. A further gain to 734,000 tons is expected for 1975, with the hog population rising some 500,000 head above the 35 million estimated for 1974. Brazil's pork industry continues to expand and modernize, but growth has been impeded by low yields and relatively high prices for pork.

Commercial poultry production is estimated by the Brazilian Poultry Association at 420,000 tons (285 million birds) in 1974, compared with 401,000 (280 million birds) in 1973. Brazilian exports of poultry meat continue to be insignificant.

—Based on dispatch from
R. L. BEUKENKAMP
U.S. Agricultural Attaché, Brasilia

U.S. Food Team to Mideast

Continued from page 13

than Saudi Arabia. As a result of the tremendous growth in revenues, cultural and social changes are occurring rapidly—many of which could influence the demand for imported foods.

Improved living standards are bringing with them changes in buying and eating habits. Families are shifting away from their traditional diets—largely cereals, dates, and vegetables—to include more meat, poultry, and processed foods.

Wider distribution of wealth is being effected through new employment opportunities. Free education and medical care are being made available to all residents.

In recent months, salaries paid to Government employees have been increased substantially, setting the pattern for increases for workers in other industries. Higher incomes have spurred demand for more and better foods, better housing, and other amenities. To offset food price increases, Governments have initiated subsidy programs for basic foods such as rice, wheat, and cooking oils.

Soviet Farm Output in 1974

Continued from page 7

emerging. Last fall, a total of 83.3 million acres of winter grains were sown for harvest in 1975. This is 2.5 million acres less than planned and about 3.7 million less than sown a year earlier. Areas plowed last fall for seeding to crops this spring, however, totaled 287.1 million acres—11 million more than in 1973. Plowing was aided by a late, warm fall.

More detailed information on Soviet agricultural performance in 1974 and outlook for 1975 will be contained in an ERS report, "The Agricultural Situation in the Soviet Union," scheduled for publication in early April.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 18	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.55	+6	6.51
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.38	+8	6.29
15 percent	5.59	+3	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	5.02	+5	6.37
No. 3 Hard Amber Durum	7.08	−16	8.78
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.48	−2	3.61
Argentine Plate corn	3.96	−17	3.97
U.S. No. 2 sorghum	3.28	−2	3.47
Argentine-Granifero sorghum	3.35	−4	3.45
U.S. No. 3 Feed barley	3.67	+3	3.16
Soybeans:			
U.S. No. 2 Yellow	6.49	−2	7.51
EC import levies:			
Wheat	.63	−27	0
Corn	.53	−5	0
Sorghum	.76	−3	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

World Grain Situation Reported

Estimated world grain production for 1974 remains virtually unchanged since the December report, while estimated consumption is down marginally. Major developments in the world grain situation during January have been: Indication of further reductions in the level of grain feeding in the United States; changes in the price relationship between domestic wheat and imported corn in parts of Western Europe, resulting in an increased use of corn for animal feed; and a general weakening of world price levels for both wheat and feedgrains.

The Soviet Union's 1974 Plan Fulfillment Report now puts that country's 1974 total grain and pulse crop at 195.6 million metric tons, or 100,000 tons above the previous Soviet estimate. Wheat production has been announced at 83.8 million metric tons, down almost 26 million tons from the record 1973 level. While no total coarse grain figure has been released, it is estimated at a record 97 million tons, with miscellaneous grain and pulses accounting for the remaining 14.8 million tons.

World wheat production for 1974 is now estimated at 4 million tons below the December estimate, with the USSR accounting for the entire decline. This drop in wheat output, however, has been more than offset by a 4.5 million ton rise in world coarse grain production, resulting from higher crop estimates for the Soviet Union, Europe, and the United States.

Estimated world total grain consumption is down only 1.9 million tons from that of a month ago, but estimated wheat consumption has been reduced by about 6.3 million tons. This places wheat consumption at the lowest level since 1971-72 and results from lower estimates of wheat feeding in the USSR, Western Europe, and the United States. In the USSR and Western Europe most of the reduction is expected to be offset by increased feeding of coarse grains.

World wheat and feedgrain trade estimates for 1974-75 (July-June) have been increased 2 percent and 5 percent, respectively. The 1974-75 wheat import estimates for Western Europe, the People's Republic of China (PRC), Morocco, Iran, Bangladesh, South Korea, and a number of other countries have been increased. Based on the continued heavy rate of shipments and forward commitments for wheat from non-U.S. origins, the estimate for total PRC wheat imports is also somewhat above the previously reported level, despite the contract cancellations reported for U.S. wheat in late January. The U.S. wheat and flour (including products) export estimate is unchanged at 30 million tons (1,100 million bushels).

Increased import demand in both East and West Europe and Mexico was responsible for increasing the 1974-75 world feedgrain trade estimate from 63.1 to 66 million tons. U.S. feedgrain exports (including products) are now estimated at 30.6 million tons for the current July-June period, up 2.5 million from those of a month ago.

The overall condition of winter grain crops appears to be slightly below normal in the Northern Hemisphere outside the United States, based on reports of mid-January 1975. These fall sown crops represent an important segment (roughly 30 percent) of world grain production, and will therefore be important to the world grain situation in 1975-76, especially because of the anticipated low level of carryin stocks.

The outlook for winter crops appears favorable in such countries as India, Turkey, Iran, and the PRC. However, favorable conditions in those areas are more than counter balanced by prospects for smaller harvests throughout much of Europe, North Africa, and Pakistan. In addition conditions in the Soviet Union appear less favorable than those a year ago, as a result of late plantings, unusually mild weather so far, and somewhat limited snow cover.

With the bulk of the 1974-75 rice crop now harvested, world production is estimated at 309 million tons, about 1 percent below last year's record level. Estimates for most countries are unchanged from mid-December reports, although heavy year-end rains in southern Thailand have reduced Thai

output an estimated 200,000 tons. In Australia unfavorable crop conditions will likely hold production at last year's level in spite of somewhat larger sowings.

On the trade side, continued strong demand from Iran and large purchases by Korea contributed to an upward revision in the estimate of 1974-75 U.S. exports to 2.4 million tons, or 25 percent above last year's level. Increased imports now seem likely for Sri Lanka, as the first crop of 1975 is said to be seriously affected by drought. The rice will likely be obtained from traditional Asian suppliers.

SUGAR AND TROPICAL PRODUCTS

Ghana's Sugar Output About Unchanged

Sugar production in Ghana (from its two sugar plants) in 1974 was about unchanged from the 1973 level of 7,000 tons, and the same level is expected for 1975. Under an expansion program now underway in Ghana, sugarcane production is targeted to reach 45,000 metric tons by 1978, but thus far little progress under the program has been made.

Ghana's sugar consumption is around 75,000 metric tons a year, with the bulk of its sugar imports coming from western Europe.

LIVESTOCK AND PRODUCTS

U.S. Exports of Livestock And Products Up in 1974

Exports of U.S. livestock and livestock products for calendar 1974 were valued at $1,574 million, 10 percent above those for calendar 1973. Although the value of livestock product exports increased in 1974, trade barriers, imposed by several major importers in the form of quotas and failure to issue import licenses, greatly impeded the flow of trade in live cattle, beef, and pork.

Value of beef exports for calendar 1974 declined 34 percent, compared with the calendar 1973 value, and for December, were down 59 percent from the December 1973 level. These lower values resulted mainly from reduced volume, as unit values were 3-4 cents higher during calendar 1974. The situation was similar for pork exports, as reduced volume more than outweighed a small increase in unit value. However, December exports of pork were above those for December 1973. Canada purchased 7.5 million pounds more in calendar 1974 than in calendar 1973.

The combined reduction in export value of beef and pork in 1974 was $77 million, compared with that for beef and pork in calendar 1973.

Reduced exports of live cattle accounted for a decline of $16 million, compared with the calendar 1973 export value, and was largely the result of Canadian live cattle quotas.

Larger exports of lard, tallow and greases, fur skins, and miscellaneous animal byproducts offset the declines in exports of other categories. Because of the high price of edible vegetable oils, lard and edible tallow exports increased greatly. The tight supply of fats and oils also affected sales of inedible tallow, raising calendar 1974 quantities by 260 million pounds and unit value by 7 cents. Lard exports gained by $21 million over those of calendar 1973, while tallow and grease exports increased by nearly $230 million. Fur skin exports increased by $26.5 million and miscellaneous byproducts by $12 million.

December exports of livestock and products were valued at $122 million, down 6 percent from the December 1973 level.

U.S. 1974 Red Meat Imports Down

U.S. red meat imports for calendar 1974 were 1,617.2 million pounds, 17 percent below the previous year's level of 1,953.7 million. U.S. imports of meat subject to the Meal Import Law (under Public Law 88-482) totaled 1,079.1 million pounds, 20 percent below the 1,355.6 million shipped during calendar 1973. Included in this latter category is fresh, chilled and frozen beef, veal, mutton, and goat meat.

U.S. red meat imports during December were 145.1 million pounds, 7 percent below those for December 1973, but the highest quantity shipped since March 1974. U.S. red meat imports subject to the Law during December totaled 105.2 million pounds, 5 percent below those of December 1973.

Australia continues to be the largest supplier of meat subject to the Meat Import Law. During December 1974 Australia shipped 56.9 million pounds, 20 percent below the level in December 1973; and during calendar 1974, shipped 513 million pounds, 28 percent below calendar 1973 shipments. New Zealand, the next largest supplier, shipped 17.4 million pounds in December, an 84 percent increase over the December 1973 level, and approximately 260 million pounds during calendar 1974, 11 percent below calendar 1973 shipments.

Imports of canned and processed red meat totaled 473 million pounds during calendar 1974, 1 percent below calendar 1973 imports. Of the total, 143 million pounds were canned and processed beef, while processed and canned pork amounted to 314 million pounds. The residual amount is mixed sausage and other meats. Other meats, fresh, chilled or frozen, amounted to 65 million pounds during calendar 1974, 7 percent below the calendar 1973 level. These meats include fresh, chilled or frozen pork, and lamb.

FRUIT, NUTS, AND VEGETABLES

Australian Apple Crop Up, Pear Output Declines

The 1975 Australian apple crop currently is estimated at 23 million bushels, significantly larger than last season's crop. Good to heavy outturns are expected in most States as a result of generally good weather conditions and the on-year in the biennial bearing patterns. Pear production of 7.8 million bushels is somewhat lower than that of last season. Crops of dessert pear varieties are generally light, and this will affect export availability of these types, particularly those to the United States.

Australia exported 4.4 million bushels of apples during the 1974 season, about 2.6 million bushels less than in 1973. The decline resulted primarily from reduced export availabilities because of the smaller 1974 crop and uncertain marketing conditions in Western Europe, which made growers reluctant to ship fruit. Pear exports during 1974 amounted to just under 2 million bushels. Efforts were made to expand sales of apples and pears to the Middle East and Persian Gulf areas during 1974.

Export returns for apples and pears shipped during the 1974 season were poor, and most growers reportedly shipped at a loss. Heavy carryover stocks of Northern Hemisphere fruit, together with larger shipments from Argentina and South Africa resulted in oversupplies in most European markets. The situation was only slightly eased by an agreement between European Community and Southern Hemisphere suppliers to voluntarily reduce shipments by 15 percent from average shipments of the preceding 3 years.

The marketing outlook for the 1975 season again is unfavorable, and a further decline in shipments to Europe is indicated. Growers have been advised not to ship to the United Kingdom this year as there is little chance to do so at a profit.

Reports indicate that competition from Argentina and South Africa plus lower labor and freight costs make it difficult for Australian growers to achieve a favorable or break-even net return. Freight rates for refrigerated cargo to the United Kingdom and Europe were increased by 14 percent as of January 1, 1975. A top priority of the recently formed Apple and Pear Corporation will be the promotion of apple and pear sales on both domestic and export markets.

Spain Ends Assistance To Tree Nut Growers

The Spanish Government announced on January 27 that it would discontinue financial support to producers of almonds and filberts. Spanish tree nut producers have benefited from direct Government assistance for several years, principally in the form of long-term loans for the purchase of new lands, improvement of existing land, and for the introduction of new production techniques. The decision to discontinue the assistance resulted from the fact that the world filbert market is already over-saturated and that one-third of the current almond acreage in Spain is nonbearing.

If the latter statement holds true, then in the near future a surplus of almonds on the world market can be expected, putting pressure on world almond prices. Since almonds are one of Spain's major horticultural exports, this substantial expansion could adversely affect U.S. almond exports, which also account for a large percentage of U.S. horticultural sales abroad.

EC Extends Apple Subsidy to Norway

On January 29 the European Community Commission added Norway to the list of third countries to which shipments of EC apples can benefit from an export subsidy of 3 units of account per 100 kg. For the current marketing season the subsidy applies to: Norway, Finland, Sweden, Iceland, Peru, Venezuela, Brazil, countries and territories of the Arabian Peninsula, Syria, Iran, and countries or states with planned economies in Central and Eastern Europe.

The gradual extension of the list is unusual, since the 1974 EC apple harvest was almost a fourth smaller than that of a year earlier and the shortest in quite a few years. Extension of a subsidy to Norway as well as Sweden and Finland is likely to have an adverse effect on U.S. exports to those countries.

COTTON

U.S. Cotton Exports To Far East Lag

U.S. cotton exports of 350,000 bales in December brought the cumulative August-December total to 1,129,000 running bales, 34 percent lower than the level for the same months a year earlier. As larger supplies became available from the harvest, December exports were nearly 30 percent above those in November, but were 41 percent below December 1973 shipments.

Increased shipments in November and December to Europe brought the August-December total to 246,000 bales, compared with 219,000 bales for the same period a year earlier. December shipments to Asia and Oceania were off 51 percent from those of 1973. Cumulative August-December exports to this region of the world were off drastically, from 1,306,000 bales in 1973 to 745,000 bales in 1974. Cumulative August-December shipments elsewhere in the world were down from 177,000 bales to 138,000.

DAIRY AND POULTRY

British Columbia Buys Poultry Company

British Columbia's purchase of Panco Poultry Ltd. in December has been reported as a move to save 400 jobs and prevent the closing of this major poultry processing company. Panco, an integrated operation, included a broiler breeding farm, turkey and broiler hatcheries, growing operations, and a feed mill. The company supplied about 40 percent of the British Columbian market.

This action is indicative of the cost squeeze being experienced by privately owned poultry companies worldwide, and the government policy in many countries to maintain viable poultry industries by taking effective government action.

USSR Expands Poultry Complex

Poultry accounted for most of the 10 percent increase in USSR meat consumption in 1974 according to the U.S. Agricultural Attaché. The Soviet Union is making strong efforts to expand poultry facilities—for both meat and eggs—in industrial complexes. An allocation of 700 million rubles for this purpose is expected to accommodate 20.6 million meat-type birds and 7.7 million layers. Expansion is also planned for necessary feed supply facilities.

EC Resumes Cheese Export Subsidies

On February 5 the European Community reestablished subsidies for the export of cheese to the United States. The renewed subsidies are 8 to 40 percent below the old subsidy rates. In addition EC cheddar cheese subsidies to the United States were eliminated (share of the U.S. quota is small) and prefixing (advance fixing) of EC cheese subsidies was terminated by the Community.

Prefixings were prior arrangements to claim subsidy upon the eventual export of cheese. Prior to the mid-July 1974

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suspension of the EC subsidies, these prefixings could be established up to 6 months in advance. Prefixings, covering about 15,000 metric tons of potential cheese exports enabled EC cheese exports to the United States to continue for the remainder of 1974 near previous levels, despite an end to new subsidy commitments.

The EC was aware of the risks involved in the implementation of a new subsidy system for dairy products. The U.S. Treasury Department, bound by the National Milk Producers Federation suit, must determine within about 2 weeks whether a bounty or grants exist in the case of the new EC subsidy system under the countervailing duty statute.

GENERAL

Export Reporting System Eased For Wheat, Soybeans, and Soybean Meal

Secretary of Agriculture Earl L. Butz recently announced an easing of the voluntary prior approval system for exports of wheat, soybeans, and soybean meal. The action doubles the quantity that an exporter can sell to one destination without reporting the sale to the Government within 24 hours or seeking prior approval.

"Today's announcement reflects our commitment to an expanding export trade in U.S. farm commodities," the Secretary said. "It returns the export trade in wheat and soybeans virtually to a free basis following a period in which tight supplies forced us into a program where the possibility of export controls was to a degree implicit.

"Supplies of wheat and soybeans have eased. We will continue to reappraise the situation on a regular basis, not only for wheat and soybeans but also for feedgrains. The supply-demand situation for feedgrains has also eased somewhat, but we are not changing the prior approval system for feedgrain sales at this time. The final outturn of grain and oilseed crops in the Southern Hemisphere will be a factor in future decisions."

As amended, the program now requires wheat and soybean exporters to report, within 24 hours, sales to any country or destination totaling 100,000 tons in any calendar day or 200,000 tons cumulative for a calendar week. The prior approval system applies to the same quantities, but operates with the voluntary cooperation of export firms. Until this recent action, minimum quantities had been 50,000 tons in a calendar day and 100,000 tons in a calendar week. The system for feedgrain sales continues on that basis.

"The prior approval system has probably had minimal effect on the volume of wheat and soybeans actually exported," Secretary Butz said, "but it has served as a safeguard against an unusually large commitment during a time of tight supplies. We will continue to guard against such a development, but we do not want to maintain any sort of restrictive system beyond the time when supplies are more plentiful. Foreign customers are a major market for America's farmers,and a large and unrestrained export trade in farm products is essential to our national economy and our international position."

Other Foreign Agriculture Publications

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